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S. HRG. 98-1113

NOMINATIONS OF ROBERT R. DAVIS, CRETE B. HARVEY, AND MELVIN A. ENSLEY

HEARING

BEFORE THE

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY UNITED STATES SENATE

NINETY-EIGHTH CONGRESS

SECOND SESSION

ON

THE NOMINATIONS OF MELVIN A. ENSLEY, OF WASHINGTON, AND CRETE B. HARVEY, OF ILLINOIS, TO BE MEMBERS OF THE FEDERAL FARM CREDIT BOARD, FARM CREDIT ADMINISTRATION AND ROBERT R. DAVIS, OF ILLINOIS, TO BE A COMMISSIONER OF THE COMMODITY FUTURES TRADING COMMISSION

SEPTEMBER 12, 1984

Printed for the use of the
Committee on Agriculture, Nutrition, and Forestry

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NOMINATIONS OF ROBERT R. DAVIS, CRETE B. HARVEY, AND MELVIN A. ENSLEY

WEDNESDAY, SEPTEMBER 12, 1984

U.S. SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Washington, DC.

The committee met, pursuant to notice, at 10:09 a.m., in room 328–A, Russell Senate Office Building, Hon. Jesse Helms (chairman of the committee) presiding.

Present: Senators Helms, Lugar, Jepsen, and Huddleston.

STATEMENT OF HON. JESSE HELMS, A U.S. SENATOR FROM NORTH CAROLINA

The CHAIRMAN. The committee will come to order.

We meet this morning to consider the nomination of Robert R. Davis, of Illinois, to be a member of the Commodity Futures Trading Commission; the nomination of Mrs. Crete B. Harvey, of Illinois, to be a member of the Federal Farm Credit Board, Farm Credit Administration; and the nomination of Melvin A. Ensley, of Washington, to be a member of the Federal Farm Credit Board, Farm Credit Administration.

Mr. Davis has been nominated to the Commission for a term of office ending April 13, 1989, to fill a vacancy created by the resignation of former Chairman Phillip M. Johnson. Mr. Davis comes to us after having served as vice president and economist at the Harris Trust & Savings Bank in Chicago, Ill., and as a senior economist with the Joint Economic Committee. As a result of this experience, Mr. Davis is quite familiar with the foreign currency cash and futures markets, as well as with the selection of equity instruments for purchase or sale by an institutional investor. His service with the Joint Economic Committee has given him exposure to a wide range of economic and financial policy issues. I believe his background will be a real asset to the Commission as it moves forward to fulfill its statutory mandate.

Mrs. Crete Harvey and Mr. Melvin Ensley have been selected by the President to fill two important positions on the Federal Farm Credit Board. As members of this committee know, this Board serves as the Board of Directors for the Farm Credit Administration. The Board is composed of 13 members, one member being appointed from each of the 12 districts, with the 13th member being appointed by the Secretary of Agriculture. All Board members are appointed to 6-year terms.

Mrs. Harvey has an agricultural background, being the owner of Arabian Farms, a cash grain and livestock enterprise located near Sterling, IL. She is also a shareholder in the Federal Land Bank of Dixon, IL, and has been active in many civic organizations.

Mr. Ensley has also had a good deal of practical experience in agriculture, being the owner and operator of a 2,000-acre wheat, barley, and dry farm near Colfax, WA. He is a shareholder in the Federal Land Bank of Colfax and has been involved in numerous business and civic organizations. I also want to point out that Mr. Ensley is a sitting member of the Farm Credit Board, having received a recess appointment on July 2, 1984.

Mrs. Harvey and gentlemen, we welcome you here today.

At this point, I will insert letters from the Office of Government Ethics and copies of the nominee's résumés.

[The letters and résumés follow:]

United States of America
Office of
Government Ethics

Office of Personnel Management
Washington, D.C. 20415

AUG 10 1984

Honorable Jesse A. Helms
Chairman, Committee on Agriculture,
Nutrition, and Forestry
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

In accordance with the Ethics in Government Act of 1978, I enclose a copy of the financial disclosure report filed by Robert R. Davis, who has been nominated by President Reagan for the position of Commissioner, Commodity Futures Trading Commission.

We have reviewed the report and have also obtained advice from the Commodity Futures Trading Commission concerning any possible conflict in light of the Commission's functions and the nominee's proposed duties. Based thereon, we believe that Mr. Davis is in compliance with applicable laws and regulations governing conflicts of interest.

Sincerely,

David H. Martin
Director

RESUME

ROBERT R. DAVIS
1208 Croton Drive
Alexandria, VA 22308

April 1984
Joint Economic Committee
Room SD-G01
Dirksen Senate Office Building
Washington, DC 20510

PERSONAL DATA: Born April 3, 1949, U.S. citizen, married.

EXPERIENCE:

Present Position:

Senior Economist, Joint Economic Committee, United States Congress since January, 1984. Responsibilities include: Establishment of economic policy priorities, oversight of macroeconomic trends, monetary policy, and forecasting, conduct of economic studies, and coordination of Committee hearings.

Previous Positions:

Vice President and Economist, Economic Research Office, Harris Trust and Savings Bank, Chicago, Illinois from February, 1981 to January, 1984. Responsibilities included: oversight of the domestic and international economic research and forecasting effort, equity and fixed income investment advisor, advisor on country risk exposure and foreign exchange, economic spokesman for the bank, Division Administrator for the Economic Research Office, co-author of Harris Economics and the Barometer of Business, and panelist on the "Sound of Business" cassette series.

International Economist, Economic Research Office, Harris Trust and Savings Bank, Chicago, Illinois from April, 1979 to February, 1981. Responsibilities included: performing as chief international economist, advisor on country risk exposure, and international economic spokesman for the bank; managing the International Economic Research Section of the Economic Research Office, including a staff of four professional economists; directing and editing a publications service, Harris Economics - International; and assisting in domestic economic analysis.

Financial Economist, Division of Research, Federal Deposit Insurance Corporation, Washington, D.C. from March, 1977 to April 1979. Responsibilities included basic banking research and policy analysis relating to international and domestic banking developments.

Economic Consultant, National Management Consultants, Inc., Houston, Texas from August, 1976 to November, 1976. Responsible for development and application of a cash flow forecasting model as per contract with the National Credit Union Administration.

Visiting Assistant Professor, Department of Economics, Vanderbilt University, Nashville, Tennessee from August, 1975 to August, 1976. Responsiblities included graduate instruction in macroeconomic theory and international finance, thesis direction, undergraduate instruction, and academic committee memberships.

EDUCATION:

Ph.D. in Economics, Virginia Polytechnic Institute and State University, 1977.
Dissertation Title: "Eurocurrency Markets and the Control of Monetary Aggregates."
Chairman: David I. Meiselman.
Fields of specialization: Monetary Theory and Policy, International Trade and Finance.

M.A. in Economics, Virginia Polytechnic Institute and State University, 1974.

B.A. in Economics, Virginia Polytechnic Institute and State University, 1972.

HONORS AND AWARDS:

Earhart Fellowship, 1974/1975.
Virginia State Graduate Tuition Scholarship, 1974.
Beta Gamma Sigma.
Phi Kappa Phi.

PROFESSIONAL ACTIVITIES:

Membership in:
American Economic Association
National Association of Business Economists
The Philadelphia Society
Western Economic Association
Business editorial advisor,
St. James Press

PUBLICATIONS AND PAPERS COMPLETED:

"The Economic Outlook," 1984 Annual Report of the Joint Economic Committee, United States Congress.

"Economic Recovery: Whistling in the Dark Again?," The Washington Times, February 22, 1984.

"International Finance," Compton's Encyclopedia Yearbook, 1983.

"Milton Friedman," and "Frank Hyman Knight," in Twentieth Century Great Thinkers, St. James Press, 1984.

"A World Economic Outlook," Agence Economique & Financier, Anneee Financiere 1983, December, 1983.

"Monetary Policy: A Critique" Proceedings of the Illinois Economic Association, October 28-29, 1983.

"International Finance," Compton's Encyclopedia Yearbook, 1982.

"Economic Policy in the United States: A Common Sense Approach for Restoring Growth," MICROS: Giornale Trimestrale Di Microeconomia, Fall, 1982.

"A Commonsense Approach for Restoring Growth," The Bankers Magazine, September/October 1982.

"Alternative Techniques for Country Evaluation," Business Economics, May, 1981.

"Como Sequirle la Pista al Dolar," El Cronista Comercial, April 10, 1981 (translation from English).

"Dollar Prospects Are Brighter During Second Half of Year," The Journal of Commerce, March 26, 1981.

"Inflation and Growth Prospects for the Industrial World," The Money Manager, December 22, 1980.

"1980: Is a Worldwide Slowdown Necessary?" The Journal of Commerce, April 17, 1980.

"Effects of the Eurodollar Market on National Monetary Policies," The Columbia Journal of World Business, Fall, 1979.

"Will Cyclical Mismatching of Economic Activity Be Disrupted by Fed Policies?" The Money Manager, October 15, 1979.

"Reorganizing Federal Banking Supervision," The Bankers Magazine, September/October 1979.

"Key to Dollar's Stability Is Rate of Money Growth Relative to Rest of World," The Money Manager, July 30, 1979.

"Bank Stockholders Bearing More Risk in Performance of Business Loan Portfolio," The Money Manager, March 12, 1979.

"Reorganizing Federal Supervision of the Banking Industry," presented at WEA Conference, June, 1978.

"Unemployment and the Variability of Inflation," with David I. Meiselman, presented at the WEA Conference, June, 1978.

"Private Credit to Developing Countries—An Assessment," The Bankers Magazine, May-June, 1978.

"Are Eurodollars Money?--Bank and Public Portfolio behavior and the Eurodollar Market," FDIC Working Paper 78-4.

"Tests Show Banks Are Rational, Efficient in Granting LDC Credit," The Money Manager, August 1, 1977.

"Bank and Public Portfolio Behavior, the Eurodollar Market and Control of Monetary Aggregates," Discussion Paper 77-6, Banking Research Center, Northwestern University.

"A Balance Sheet Analysis of the Eurodollar Market and U.S. Banks," FDIC Executive Summary No. 77-6.

"Private Credit to Developing Countries: An Assessment of The Facts," FDIC Executive Summary No. 77-5.

United States of America
Office of Government Ethics

Office of Personnel Management
Washington, D.C. 20415

JUL 25 1984

Honorable Jesse A. Helms
Chairman, Committee on Agriculture,
Nutrition, and Forestry
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

In accordance with the Ethics in Government Act of 1978, I enclose a copy of the financial disclosure report filed by Melvin A. Ensley, who has been nominated by President Reagan for the position of Board Member, Federal Farm Credit Board.

We have reviewed the report and have also obtained advice from the Farm Credit Administration concerning any possible conflict in light of the Board's functions and the nominee's proposed duties. Mr. Ensley has reported an interest in the Colfax Federal Land Bank Association of Colfax, Washington, a Farm credit system institution. Pursuant to the provisions of 12 C.F.R. § 601.190, Mr. Ensley may participate in matters of a general or policy nature which may have a direct and predictable effect upon this institution as well as others similarly situated but he will be unable to participate in any action by the Farm Credit Administration which is directed at or specifically applicable to this institution.

Based thereon, we believe that Mr. Ensley is in compliance with applicable laws and regulations governing conflicts of interest.

Sincerely,

David H. Martin
Director

ABSTRACT OF INFORMATION FURNISHED BY CANDIDATE
FOR DESIGNATION AS NOMINEE FOR CONSIDERATION BY THE
PRESIDENT FOR APPOINTMENT AS A MEMBER OF THE
FEDERAL FARM CREDIT BOARD

MELVIN A. ENSLEY - East 201 Thorn
Colfax, Washington 99111
Home Phone - 509-397-2125
Business Phone - 509-397-3681

Age and Education: Born March 4, 1915 in Colfax, Washington. Graduate of Colfax High School and LaSalle College with a degree in business management and accounting. Also attended the University of Washington for 2 years.

Occupation: Farming. Operates a 2,000-acre wheat, barley, and dry pea farm, in partnership with son-in-law.

Affiliation:

Stockholder:	Federal Land Bank Association of Colfax
	Interstate Production Credit Association
	Whitman County Growers
	Colfax Grange Supply
	Almota Elevator Company (past Chairman)
	Palouse Producers, Inc.
Member:	Whitman County Wheat Association
	Washington Association of Dry Pea & Lentil Producers
	Pacific Northwest Pea Growers and Dealers
	Wilcox Grange
	Kiwanis Club
Director:	Hill-Ray Plaza Retirement Home
Treasurer:	Pacific Northwest Association of North American Baptists
Deacon:	First Baptist Church of Colfax

Former Affiliation:

Director:	Farm Credit Board of Spokane (1965-1980)
	Central Bank for Cooperatives (1968-1981)
	Agricultural Cooperative Development International
Executive Director:	Washington State A.S.C.S.
Chairman:	Whitman County A.S.C.S.
	Colfax Consolidated School District
	Washington Dry Pea and Lentil Commission
	U.S.A. Dry Pea and Lentil Foreign Marketing Service
Officer:	Seattle First National Bank

July 1983

United States of America
Office of Government Ethics

Office of Personnel Management
Washington, D.C. 20415

Honorable Jesse A. Helms
Chairman, Committee on Agriculture,
Nutrition, and Forestry
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

In accordance with the Ethics in Government Act of 1978, I enclose a copy of the financial disclosure report filed by Crete B. Harvey, who has been nominated by President Reagan for the position of Board Member, Federal Farm Credit Board.

We have reveiwed the report and have also obtained advice from the Farm Credit Administration concerning any possible conflict in light of the Board's functions and the nominee's proposed duties. Ms. Harvey has reported a personal financial interest in the Federal Land Bank Association of St. Louis and an interest of her husband in the Federal Land Bank Association of Lousiville. Both of these institutions are within the Farm credit system. Pursuant to the provisions of 12 C.F.R. § 601.190, Ms. Harvey may participate in matters of general or policy nature which may have a direct and predictable effect upon these institutions as well as others similarly situated but she will be unable to participate in any action by the Farm Credit Administration which is directed at or specifically applicable to these institutions. Further, Ms. Harvey has indicated that upon confirmation, she will resign as a member of the board of directors of Amtrak.

Based thereon, we believe that Ms. Harvey is in compliance with applicable laws and regulations governing conflicts of interest.

Sincerely,

David H. Martin
Director

RESUME

Crete B. Harvey

R.R. #2, Fulfs Road
Sterling, Ill. 61081

Home: 815/626-2751
Business: 815/626-2459

Business Address: Harvey Arabian Farms
(same as home address)

Age and Education: Born July 10, 1929 in Butte, Montana. Graduate of Madeira School, Greenway, Va.

Occupation: Farming. Owns Harvey Arabian Farms, a cash grain and livestock operation. Raises corn, soybeans, oats and hay. Milk 62 Holsteins. Also raise registered Suffolk sheep, red Angus cattle and hogs. Market 2,000 hogs per year. Also raises Arabian horses.

Affiliations:

Stockholder: Federal Land Bank Association of Dixon, Ill.

Member: (Agricultural organizations)
- Whiteside County Farm Bureau
- Farm Bureau Association of Illinois
- National Suffolk Sheep Association
- Red Angus Association
- Whiteside County Pork Producers
- Top Farmers of America Association
- Whiteside County 4-H
- American Horse Council
- World Arabian Horse Organization

(Civic organizations)
- Women's Auxilliary Community General Hospital
- Sterling Chamber of Commerce
- Rock Falls Chamber of Commerce
- Illinois State Chamber of Commerce
- Civic Music Association
- Illinois Hospital Society
- Art Institute of Chicago
- Blackhawk Area Council of Boy Scouts of America

(Political)
- 19th Congressional Senatorial Advisory Committee
- Whiteside County Republican Women
- National Federation of Republican Women
- Illinois Federation of Republican Women
- Republican National Committeewoman, Illinois, 1976-80 and 1980-1984

Religious Affiliation: Presbyterian (First Presbyterian Church of Sterling)

Director:
- Arabian Horse Trust
- Arabian Horse Club Registry

Trustee:
- Southern Illinois University
- University of Montana Foundation

Former Affiliations:
- National Resource Advisory Council, 1978-80
- President & Co-founder, Sterling-Rock Falls Republican Women, 1964
- Mid-Continent Livestock Expo board member
- National Railroad Passenger Corporation (Amtrak) board member
- Whiteside County Centennial Committee, 1972-76

The CHAIRMAN. Senator Gorton has a tight schedule. He is here to introduce Melvin Ensley to the committee.

While I am at it, let me ask all of the nominees the formal and obligatory questions. The record will show their responses.

If your nomination is approved by the committee and the Senate, do you promise to respond to requests to appear and testify before this committee and any other duly constituted committee of the Senate? If you do, raise your hand and say aye.

Mr. DAVIS. Aye.

Mrs. HARVEY. Aye.

Mr. ENSLEY. Aye.

The CHAIRMAN. If you are confirmed by the Senate, will you faithfully execute the laws passed by Congress, regardless of any previous statement you may have made or biases you may have held?

Mr. DAVIS. Yes.

Mrs. HARVEY. Yes.

Mr. ENSLEY. Yes.

The CHAIRMAN. Let the record show that to each question all three nominees answered in the affirmative.

We will be delighted to hear from you, Senator Gorton.

STATEMENT OF HON. SLADE GORTON, A U.S. SENATOR FROM WASHINGTON

Senator GORTON. Thank you, Mr. Chairman and Senator Huddleston. It is a real pleasure for me to appear here today on behalf of my constituent, Melvin Ensley. Mr. Ensley brings superb qualifications to his position on the Board. His experience in farming, public service, and banking will, I believe, make him a valuable and effective member of the Board. Mr. Ensley, has a long, distinguished, and well-deserved reputation as a man of high integrity and competence among those who have seen him work for the welfare of the farming community in Washington State. Mr. Ensley has exhibited these same qualities since his appointment to the Board on July 2.

Melvin Ensley is a man whose roots are family planted in the fertile farming soils of eastern Washington State. He comes from eastern Washington. He raises wheat, barley, and dry peas on a farm near Colfax, WA. From his position as a member of the Whitman County Wheat Association, the Washington Association of Dry Pea and Lentil Producers, and the Pacific Northwest Pea Growers and Dealers, he knows the problems of the farmer on a firsthand basis.

For 15 years, he was a director of the Farm Credit Board of Spokane and has been an officer with the Seattle First National Bank. So, he knows very well the difficulties that must be met as our Nation struggles to strengthen its farm community.

I am confident that he will succeed as a member of the Federal Farm Credit Board, as he has in every other challenge that he has faced during his life.

I am very, very pleased to recommend his confirmation to you and to the members of the Committee on Agriculture.

The CHAIRMAN. Thank you, Senator.

Senator Huddleston, do you have an opening statement?

Senator HUDDLESTON. Mr. Chairman, I do not have an opening statement as such, but would like to say that we are glad to see these folks this morning. I think, as you say, we can conduct this hearing rather rapidly.

I do have a statement to put in the record on behalf of our colleague Senator Dixon, relating to Mr. Davis and Mrs. Harvey.

The CHAIRMAN. Without objection, they will be inserted into the record.

[The following statement was received for the record:]

STATEMENT OF HON. ALAN J. DIXON, A U.S. SENATOR FROM ILLINOIS

Mr. Chairman, I urge the Senate Committee on Agriculture, Nutrition, and Forestry to support the nomination of Robert R. Davis to be a member of the Commodity Futures Trading Commission.

Mr. Davis presently serves as senior economist of the Joint Economic Committee of the United States Congress. Previously, he served as vice president and economist of the Economic Research Office of the Harris Trust and Savings Bank of Chicago, Illinois. His responsibilities included: oversight of the domestic and international economic research and forecasting effort, and economic spokesman for the bank.

Mr. Davis has written numerous articles regarding monetary policy and international finance.

Mr. DUNLOP. Mr. Chairman, pardon me. Also, we have a letter from Senator Dole expressing his regret at not being able to attend this morning but expressing his support for these nominees.

The CHAIRMAN. Without objection, that letter will be made a part of the record at this point, along with a letter from Senator Percy on behalf of Mr. Davis.

[The letters referred to follow:]

U.S. SENATE,
Washington, DC., September 12, 1984.

Hon. JESSE HELMS,
Chairman, Senate Committee on Agriculture, Nutrition, and Forestry, Washington, DC.

DEAR JESSE: Unfortunately, I cannot attend the Senate Agriculture Committee's confirmation hearings for Robert R. Davis to the Commodity Futures Trading Commission, Crete B. Harvey to the Farm Credit Board, and Melvin A. Ensley to the Farm Credit Board.

I do support the nominees, and ask that you include my letter in the hearing record.

Sincerely yours,

BOB DOLE, *U.S. Senate.*

U.S. SENATE,
Washington, DC., September 10, 1984.

Hon. JESSE HELMS,
Chairman, Committee on Agriculture, Nutrition, and Forestry, Washington, DC.

DEAR MR. CHAIRMAN: I am pleased to write in support of the nomination of Robert R. Davis of Geneva, Illinois, for appointment as a Commissioner with the Commodity Futures Trading Commission.

I believe I can say without prejudice that Bob has very impressive credentials. Prior to his becoming Senior Economist on the Joint Economic Committee, he served for almost five years at the Harris Bank in Chicago, first as International Economist and then as Vice President of the Economic Research Office.

I sincerely regret not being able to be present at Bob's hearing and respectfully request that this letter of support be read into the record. I have every confidence that, if appointed, Bob Davis would serve with distinction.

Sincerely,

CHARLES H. PERCY, *U.S. Senator.*

The CHAIRMAN. We now recognize the distinguished Senator from Iowa, Mr. Jepsen, to present Mr. Davis.

STATEMENT OF HON. ROGER W. JEPSEN, A U.S. SENATOR FROM IOWA

Senator JEPSEN. Thank you, Mr. Chairman. I am very, very pleased to introduce to the committee for its consideration Robert R. Davis. Bob Davis joined the Joint Economic Committee staff as a senior economist in January of 1984. On that committee, which I chair, his primary responsibilities have been in the macroeconomic analysis, monetary policy, and forecasting, although he makes economic recommendations in a number of areas.

One of the things that we have needed, I have felt for a long time, to be reinforced on this committee—and that is not meant to be in any way a reflection or a criticism of any of the activities or members on the Commission to date—is that while we have had monetary reform and analysis and monetary policy and forecasting, all of which certainly are integral parts of the Commission, Dr. Davis' background in economics will strengthen the Commission immeasurably and will be good for everybody, not only the Commission. I think Dr. Davis' background will establish credibility among the agriculture community so that we can have, with renewed vigor, the Commission being used for financial planning, as we open up new horizons in the agricultural area.

Dr. Davis received a Ph.D. in economics from Virginia Polytechnic Institute. He was on the faculty of Vanderbilt University and later joined the Federal Deposit Insurance Corporation as a financial economist.

I think he is uniquely well qualified for this job. I would, with no hesitation or reservation whatsoever commend him to this committee and certainly recommend and endorse his nomination and would urge my colleagues to give him very enthusiastic and unanimous support.

The CHAIRMAN. Now we will hear from Congresslady Lynn Martin. We are glad to have you here.

STATEMENT OF HON. LYNN MARTIN, A REPRESENTATIVE IN CONGRESS FROM THE 16TH DISTRICT OF ILLINOIS

Mrs. MARTIN. Thank you, Mr. Chairman. It is always nice for a House Member to occasionally visit the higher ether of the Senate.

The CHAIRMAN. We are glad to have you.

Mrs. MARTIN. Following the example of brevity of everyone concerned, I will be, too. It is an extraordinary pleasure to be here on behalf of Senator Percy, Senator Dixon, and myself to recommend so strongly the nomination of Crete Harvey. Crete's farming background is extensive, not just in Illinois, but in her native State of Montana, from row crops, to beef, to dairy.

She is a current member of the board of trustees of Southern Illinois University. She is, both personally and professionally, an outstanding person. Because of her talents and abilities, she has received this nomination. She is from my district in Illinois and both Senators share my pride.

Let me add an interesting aside. This committee will endorse a candidate based on her talent and qualifications but when Crete is confirmed, she will be the first woman on the Farm Credit Board. We are proud that she is from Illinois and, I may add, from the President's home district.

The CHAIRMAN. Thank you very much. We will insert, at this point the statement from Senator Dixon concerning the nomination of Mrs. Harvey.

[The following statement was received for the record:]

STATEMENT OF HON. ALAN J. DIXON, A U.S. SENATOR FROM ILLINOIS

Mr. Chairman, it is my pleasure to join my friend, Congresswoman Lynn Martin, in presenting to the Senate Committee on Agriculture, Nutrition, and Forestry, Mrs. Crete B. Harvey. Mrs. Harvey has been nominated to be a member of the Federal Farm Credit Board representing the sixth district which serves Illinois, Missouri, and Arkansas.

Mrs. Harvey is the owner of Harvey Arabian Farms, a cash grain and livestock operation located at Sterling, Illinois. She serves on the board of directors of the National Railroad Passenger Corporation (Amtrak), the board of trustees of Southern Illinois University, the University of Montana Foundation, and the board of governors of the Arabian Horse Registry.

Mrs. Harvey is a member of the Federal Land Bank Association of Dixon, Illinois, and a member of agricultural and civic organizations.

Mr. Chairman, I would urge the committee to support Mrs. Harvey's nomination.

The CHAIRMAN. Give us an idea, Mr. Davis, of the experience that you will bring to the Commission, if confirmed. Would you summarize your work experience with Harris Trust & Savings Bank of Chicago and with the Senate Joint Economic Committee?

STATEMENT OF ROBERT R. DAVIS, MEMBER-DESIGNATE, COMMODITY FUTURES TRADING COMMISSION

Mr. DAVIS. Yes, sir. I was at the Harris Trust & Savings Bank in Chicago for 5 years as a financial advisor and economist, working initially in the international area. I helped the bank manage their foreign risk exposures, which I think we did a fairly good job of doing and keeping the bank sound in its international portfolio. In the latter, 2 to 3 years of my stay at the Harris Bank, I was primarily involved in advising portfolio managers and traders in the financial area and economic area in terms of strategies for investments in the bank and the trust department of the bank.

The CHAIRMAN. Do you feel that this would help you in your role as a CFTC Commissioner?

Mr. DAVIS. As you know, the banking industry has become one of the main users of a growing segment of the futures industry. It is impossible to be with a major institutional investor and not become intimately involved in the activities of the futures market.

Incidentally, the Harris Bank has a number of business relationships with the agricultural community as well. I got around the Midwest a good bit and was able to speak to agricultural groups about their interests and their problems on the financial side of things.

In Chicago, in particular in a major bank in Chicago, as you might guess, one does become rather intimately involved with the activities of the futures industry and build a pretty good feeling for what that industry is all about and what it can do for the public.

The CHAIRMAN. One of the subjects on the minds of Americans is this business of regulation by Government. I guess each of us has a regulatory philosophy. What is yours?

Mr. DAVIS. I would say my regulatory philosophy is that we are best served by the least amount of regulation that is consistent with the public interest. In many cases the market is the harshest taskmaker. I think that self-regulation is important. I have been happy to see that the Commodity Futures Trading Commission has been on a tack of encouraging self-regulation by the exchanges and by the trade associations. I think that is awfully important. It is also clear that the public has to maintain confidence in the ability of the Commission to interject itself in enforcement activities and oversight activities. In all financial trading, really, but particularly in financial futures trading, trust is ultimately very important. The industry is really based on trust. The product that it produces is based first on public confidence. Without that confidence there is no product and no benefit to the public. So, it is important that the Commission be involved in maintaining that trust. But overregulation can certainly kill the goose that lays the golden egg, just as easily as a lack of regulation can. I think it is important that the Commodity Futures Trading Commission, as the regulatory oversight agency, always be very careful in finding that fine line between overregulation and underregulation and staying on course.

The CHAIRMAN. It sort of takes on a life of its own, and all the principles of Washington, DC, come to bear, including Parkinson's law and the Peter principle, and all the rest of it. I hope we can maintain a balance.

I have to ask you a personal question. You have been nominated for a term that will expire in April 1989, right?

Mr. DAVIS. Yes, sir.

The CHAIRMAN. If you are confirmed by the Senate, do you intend to serve your entire term?

Mr. DAVIS. It is my intention to serve the entire term.

The CHAIRMAN. What role, if any, did you play in the Joint Economic Committee's hearings on the operation of the commodity futures markets?

Mr. DAVIS. I attended those hearings, at least the one in Washington, DC. There was also a field hearing in Chicago. I attended the hearing in Washington as a professional support staff member available to assist the members if needed. I did not take an active role in organizing that particular hearing or formulating the initial agenda of the hearing.

The CHAIRMAN. I believe you chaired those, Senator Jepsen.

Senator JEPSEN. I did, yes, sir.

The CHAIRMAN. All right. Senator Huddleston?

Senator HUDDLESTON. Mr. Davis, I have always, since the creation of the CFTC, had some interest in the coordination between it and the Securities Exchange Commission in the discharge of their respective responsibilities. Now particularly with the growth of financial futures, how do you see the CFTC and the SEC working together with a proper balance between their responsibilities being maintained?

Mr. DAVIS. Senator, as you well know, that has been a subject of a lot of attention. With the accord, a great deal of the questions

and potential conflicts between the agencies were resolved. But also with the accord between the SEC and CFTC, there was established, I think, a new dialog. I have been looking into how that dialog seems to be working to some extent now. Not having been in either agency, I am not as involved as I hope to be at a future time.

It is critically important that these two agencies continue to talk to each other on a number of issues to coordinate their efforts, especially where there may still be possibly some areas of overlapping responsibility, particularly with the evolution of the financial industry. As you know, in the financial industry in general, including banking deregulation and the whole gamut, it is hard to tell where the financial industry is going sometimes. As it is evolving very rapidly, coordination between the two agencies on a number of issues, and communication between the two agencies is very important. I understand that is proceeding at an adequate pace currently.

The CHAIRMAN. Will you steadfastly represent the CFTC in determining its jurisdictional area and seeing that it fulfills its responsibility and does not abdicate its responsibility to the SEC, and where there are questions, conflicts, and differences of opinion, work to make sure that you uphold the position of the CFTC as the regulatory agency for commodity futures?

Mr. DAVIS. Yes, sir. As I read the congressional mandate, I do not see that it contains in it any abdication of responsibility. Clearly, Congress had in mind a separate regulator in this important area. As long as that is the intent of Congress, I think that it is the duty of the Commissioners at the CFTC to oversee their segment of the financial industry separately.

The CHAIRMAN. You have been in a position to see how rapidly the commodity business has grown, expanded, and how it is reaching out throughout the entire United States. The CFTC, like most of the Government agencies, is faced with budget restraints. Yet, your workload seems to be possibly expanding. How do you see the Commission being able to go about coping with that situation?

Mr. DAVIS. Well, we would always hope for more efficient utilization of resources. I am sure you are going to hear that from everyone. There have been some innovative activities in the futures industry with some types of regulatory procedures transferred to the trade associations which, obviously, frees resources for some of the more serious oversight and enforcement activities of the Commodity Futures Trading Commission.

Also, as I look at the budget proposals and the budget trends, it is clear that, even though Government has been under severe constraints regarding increases in expenditures, the Commodity Futures Trading Commission has been able to add to man-years, especially in the enforcement area. There are always some budget constraints. Sometimes there are probably constraints in adding qualified people and training them adequately and sending them out in the field, particularly when the industry is growing as fast as it has.

I think additional resources are going into the CFTC and its activities. As well, I think there is more efficient utilization of resources that exist. So, it would certainly be my hope that resources are adequate to provide sufficient oversight.

The CHAIRMAN. What do you see will be the major impact or changes that will be brought about on the commodity futures markets of the pending bill relating to banking authority, if it should be passed in its present form?

Mr. DAVIS. In terms of the reorganization of the banking regulatory agencies?

The CHAIRMAN. Yes.

Mr. DAVIS. I do not see that that is going to have a great deal of impact on the futures industry.

The CHAIRMAN. Thank you. Senator Jepsen.

Senator JEPSEN. Just to reaffirm and reinforce the feeling that I believe that you have, I would like for the record again to explore with you your thoughts about the need to attain and maintain a level of credibility, squeaky clean confidence on the CFTC, between the Commission and the actual producers, who could use this as a financial planning tool. Do you have any special thoughts that you might, for the record, want to elaborate on with regard to improving, upgrading, cementing in this image and some procedures for bringing the opportunities that the Commission provides for some hedging, some financial assistance and planning to the farm communities?

Mr. DAVIS. Yes, sir; first, as you are probably aware, there have been efforts under way to improve the policing within the exchanges themselves by the futures associations. I think this is awfully important. Probably, public perceptions are going to lag the improvement in self-regulation in these respects, and probably further gains can be made.

You touched on the factor of education. The National Futures Association, the exchanges, as well as the CFTC, I hope, to a greater degree in the future also have to be involved in education of the public. You can avoid a lot of potential enforcement problems that may develop with a better informed public.

I think that, if you look at the volume of trading in the futures exchanges and the number of new contracts, it is obvious that with this growth probably public understanding of all the aspects of the market have maybe not kept pace, as the industry has grown so rapidly.

This is going to be a learning process, particularly in the farm community. There are new instruments coming along such as options in agricultural futures that will provide new risk management tools. All of these things are going to have to be adjusted to, and there has to be a learning process by the users as well as the suppliers.

It would be my hope that the CFTC could, in shifting resources, maintain adequate and sufficient resources in the enforcement area but also devote additional resources in the education areas, particularly as regards these new types of instruments for risk management that are coming along in the agricultural area.

Senator JEPSEN. Thank you, Mr. Chairman, that is all I have.

The CHAIRMAN. Thank you. Senator Lugar.

Senator LUGAR. Mr. Chairman, out of curiosity, I wonder what the subject was of the article which you wrote for the Encyclopaedia Britannica.

Mr. DAVIS. That particular article had to do primarily with an evaluation of the international financial scene, with a rundown of the current international debt crisis and what some of the prospects were

Senator LUGAR. It certainly speaks well for your expertise. You were asked to write the article and submitted it.

My curiosity, having looked at your biography, is to fathom how you have learned about the commodities business and the CFTC in particular. What aspects of your professional background in recent years have brought you specifically in touch with this industry? Or, if none have, how have you gone to school, and what is the basis on which you seek to serve presently?

Mr. DAVIS. Senator, first in terms of my economic training, back quite a while ago, the futures industry is always an important element in economic and financial training in academia. So, the first introductions were at that level. And I have always been very interested in the institutional structure and workings of financial markets from an academic level.

In Chicago, as an adviser at a major institutional invester, there were always numerous opportunities, in fact not only opportunities but there were cases where there was overriding good judgment to use the futures industries, to hedge positions, whether it be for a large trust portfolio investments in the area of hedging bond positions, in terms of a bank's investment portfolio, in the area of foreign exchange, where there is always an intimate involvement between the forward markets for foreign exchange in the banking industry and the futures markets for foreign exchange in Chicago and other areas. I was involved as an adviser in those areas. It was incumbent on me to understand what was going on and be able to advise the actual practitioners on the firing line as to strategies.

So, I have initially an academic involvement, especially during my time in Chicago I was involved as an investment advisor. I was almost in a daily situation of keeping up with what was going on in the futures markets and making recommendations there as well.

Incidentally, the Harris Trust & Savings Bank, as a number of large banks now, is a futures commission merchant. That became a fact while I was at the bank in an advisory role.

Senator LUGAR. Have you personally made investments using futures markets for your own account?

Mr. DAVIS. No, sir; because during my career at the Harris Bank, the bank management in their wisdom decided it was better for bank officers to be precluded from having margin accounts. So, primarily because of that restriction, I did not engage in futures transactions. Since I have been in Washington since the beginning of the year, it did not seem sensible for my particular financial objectives to be involved in the financial futures area or invest in any futures.

Senator LUGAR. Have you been the subject of any lawsuits or are you currently a litigant or participant in any legal action?

Mr. DAVIS. No, sir.

Senator LUGAR. So, at least you come to this particular point without encumbrances of any sort? And obviously you have made a full revelation of your financial situation.

I would just follow up Senator Jepsen's line of questioning as well as his personal statement. We have noted in our Subcommittee on Agricultural Research and General Legislation, the enormous growth of the industry that is covered by this responsibility. It is mind-boggling in terms of the sheer numbers of transactions, the billions of dollars that are involved, and the public trust that is involved is enormous. I think you understand that. And the criticism of the Commission usually comes on the basis of people simply fearing that this group of able persons, none of whom has ever come under personal attack, may simply be physically or emotionally or intellectually inadequate to be a match for the extraordinary number of very talented people who are players in the drama.

I think that members of the industry recognize this. They have been most cooperative with the committee and with the Congress in trying to make certain that there is absolute public confidence in this business.

What could be a remarkable thing for the American economy as well as the participants in it could turn very sour if for some reason our diligence is not sufficient. I think you know that. We have recognized in an oversight capacity how important that is.

Are you aware of this specifically? Have you had an opportunity for briefings with members of the Commission on the new developments with the Singapore Exchange, the round-the-clock aspects? Do you feel comfortable with this extension of the CFTC's regulatory aspects?

Mr. DAVIS. I perhaps have some unique insight into the round-the-clock issue because, in my dealings with bank foreign exchange markets, I was actually in a situation where there was round-the-clock trading. When I was with the Harris Bank, that particular institution had foreign exchange trading in operation 23½ hours a day. There were some time overlaps where it missed a half hour between Singapore, Chicago, and London. So, I understand some of the difficulties involved in that.

I also understand the problems that that can create for the regulator, when you are working in areas outside of your jurisdiction.

It is clear that the market is very dynamic and evolving. I think your statement accurately reflects the notion that, if you are involved with a dynamic, evolving market, you better not put regulation and oversight on automatic pilot. That is just not going to work because things are changing. The only way you are going to make sure that the public trust is not betrayed is to also have a dynamic, innovative regulator that does not get in the way when he should not be in the way, but makes sure that what is going on is all on the up and up.

Senator LUGAR. Mr. Chairman, thank you very much. Thank you, Mr. Davis.

The CHAIRMAN. Thank you, Senator.

Mr. Davis, Senator Cochran has submitted a couple of questions which will be furnished to you in writing. If you will respond to his questions in writing, I will be grateful.

Mr. DAVIS. Yes, Senator.

The CHAIRMAN. Without objection, that will be inserted into the record.

[The written questions from Senator Cochran and the answers from Mr. Davis follow:]

Question. Should violators of CFTC rules be suspended from trading? How would you suggest violators be addressed?

Answer. The severity of sanctions imposed in response to rule violations should match the seriousness of the violations. In some cases, only reprimands might be in order. In other cases, civil penalties, trading prohibitions, permanent and temporary revocations of registrations, criminal proceedings, or a combination of the above may be appropriate. Judgment and precedent must be applied to each violation on a case-by-case basis to determine a just penalty.

Question. Comment on pooled account trading. Is there a need to review trading by these accounts? Explain the advantages and disadvantages of these accounts. Is there any evidence that these type accounts need to be controlled in some way?

Answer. Pooled account trading reduces the number of separate buy and sell orders for futures contracts, and increases the number of large value orders. The effect of reducing the number of buyers and sellers tends to reduce the competitive environment to some degree, although pooled accounts presently are small relative to total market volume. This could easily hold true for the forseeable future, suggesting that futures markets will remain extremely competitive by most standards.

The increase in the volume of large value orders has two effects. First, the possibility of quick mobilization of large orders tends to increase market liquidity, because larger buyers and sellers are available to step into the breach during market disturbances. On the other hand, large buy and sell orders may lead to temporary price disturbances if the market has difficulty digesting their size immediately.

Pooled account trading can be a useful mechanism when the pooling allows savings in investment and brokerage costs that can be passed on to smaller traders and hedgers. I am not aware of any compelling evidence that calls for unusual control of these accounts. However, the possibility of competitive effects or unfavorable price volatility suggests that such accounts be reviewed from time to time.

Mr. DAVIS. Senator Helms, I do have a written statement that can be entered into the record.

The CHAIRMAN. Yes; without objection, that will be made a part of the record.

[The following material was received by the committee:]

STATEMENT OF ROBERT R. DAVIS, COMMISSIONER-DESIGNATE, COMMODITY FUTURES TRADING COMMISSION

Mr. Chairman and distinguished Members of the Committee, I am grateful for your attention, which has been diverted from other important issues as Congress works under time pressures to complete its business. I am also honored that the President has nominated me to join the Commodity Futures Trading Commission. Should this Committee approve and the Senate confirm my nomination, I will welcome the opportunity to help carry out the congressional mandate of overseeing a healthy, vigorous, and innovative futures industry that both serves the public and maintains the public trust.

As you are all well aware, especially in this political year, we live in a risky world. Our country has provided a freedom that has allowed its citizens to multiply their well-being many times over. However, risk can never be eliminated. We are still faced with vagaries of weather, volatile foreign demand and supply, evolution of new products and technologies, changing credit market conditions, and a variety of other unforeseen events. Because uncertain future events affect the outcome of our financial plans, it is not surprising that we invest resources in the process of discovery.

The futures markets are perhaps the most efficient of all discovery mechanisms. Not only do they assimilate information about the future, they provide an essential mechanism to transfer risk among economic agents depending on their willingness and ability to bear risk. Futures markets allow for more effective risk control, thereby increasing economic welfare.

The futures industry has developed rapidly in the last 10 years to the benefit of the economy. Further development is inevitable, and should not be hindered. To ensure a positive outcome, both the CFTC, the exchanges, and futures professionals must continue to educate the public on industry developments. Even more important, the CFTC and the industry must never lose sight of the fact that the important economic product of futures markets is generated on the basis of trust and

public confidence. The record in fostering and maintaining confidence has been good, but the objective should be to further strengthen this trust.

The innovative and competitive climate in the futures industry is a reflection of what has made his country great. It is in the interest of all to assure that these qualities are preserved. Should I be confirmed, I will welcome the important challenge and responsiblity that is conferred by the appointment.

The CHAIRMAN. I wonder if you have any further comment or any response to any questions that you would like to make at this time.

Mr. DAVIS. No, sir, I do not believe so.

The CHAIRMAN. Thank you very much.

Reviewing last night the information on you two fine citizens, my judgment is that you are well qualified for membership on the Federal Farm Credit Board. One after the other, I wonder if you would elaborate your previous experience with the Farm Credit System, just for the benefit of the committee and for the record.

If you have a prepared statement that covers that, fine; if not, please proceed.

STATEMENTS OF CRETE B. HARVEY AND MELVIN A. ENSLEY, MEMBERS-DESIGNATE, FEDERAL FARM CREDIT BOARD

Mrs. HARVEY. Mr. Chairman, I do not have a prepared statement.

My previous experience with farm credit would be through the Federal land bank at home, which I borrowed money from for purchase of my last farm.

The CHAIRMAN. That is good experience.

Mr. ENSLEY. Mr. Chairman and members of the committee, I did prepare a statement. It is short; may I read it?

The CHAIRMAN. That will be fine.

Mr. ENSLEY. I appreciate the opportunity to appear before the committee today. I want to thank my senior Senator from the State of Washington, the Honorable Slade Gorton, for taking the time to appear with me. You have a very busy schedule, so I will brief my remarks and then answer questions if you so desire.

I am a farmer operating about 2,000 acres of land producing wheat, barley, dry peas, and lentils in a partnership with my son-in-law. I have had agricultural credit experience in commercial banking, worked for the U.S. Department of Agriculture as an appointee under the Eisenhower administration. I was a member of the Spokane Farm Credit Board from 1965 to 1980 and the Central Bank for Cooperatives, Denver, from 1968 to 1981. I have also been associated with many other associations and boards during my lifetime.

My interest is agricultural credit, and I am a dedicated supporter of the Farm Credit System. Agricultural credit is having a very difficult problem at this time because of the present economy in agriculture. The Farm Credit System has a long record of excellent service to its users for over 50 years. As I look forward to serving as a member of the Federal Farm Credit Board, I hope to contribute to the future and continuing success of the System in serving the credit needs of agriculture.

Thank you.

The CHAIRMAN. That is a very fine statement.

Mrs. Harvey, what do you grow on your farm?

Mrs. HARVEY. We grow soybeans, corn, sometimes a little wheat. We raise hogs. We milk holsteins and have a small herd of red angus. And I have a private project of a few Suffolk sheep because I like to eat leg of lamb.

The CHAIRMAN. You do not grow any tobacco?

Mrs. HARVEY. No. I do not smoke.

Senator HUDDLESTON. What about those Arabian horses?

Mrs. HARVEY. Yes, I also raise Arabian horses. As a matter of fact, I came into farming sort of not from a farming background. I started raising Appaloosa ponies. Then I went to Arabian horses. I bought my first farm; it was in the land bank. I had a very fine man teach me about farming. If I asked him the same question 20 different ways, he never said, I told you that yesterday, or I answered that the day before. He explained it over again. I grew to love farming because of this man, who was very kind and patient and taught me.

The CHAIRMAN. Speaking of horses, I have been to one Kentucky Derby, thanks to Senator Huddleston. I want to go again. The Arabian horses are beautiful, Senator Huddleston agrees.

Mrs. HARVEY. I bred some horses in Kentucky with some of the people you probably are speaking about. I am very familiar with your name because I belong to the American Horse Council, so I read a lot of things about that.

The CHAIRMAN. We are glad to hear the President's announcement about the additional 10 million bushels of wheat and feed grains being sold to the Soviet Union.

Mrs. HARVEY. Yes.

The CHAIRMAN. That ought to help a little bit.

Mrs. HARVEY. I hope so.

The CHAIRMAN. Farmers all over the country are having a difficult time, most of which, in my judgment, is due to their inability to cope with the interest rates. If we get those interest rates down to a single digit, that would have a certain magical effect. It would not be a cure-all but it would certainly help.

I want to ask each of you the same question. You can answer in tandem, if you will.

What do you feel should be the role of the Farm Credit System in assisting borrowers having temporary trouble repaying those loans?

Mrs. HARVEY. I would speak for myself. I am in a position where I am between a rock and a hard place on my last farm. So, I would say, if I went down to talk to the Federal land bank and told them where I was, I would hope that I could maybe restructure something. I would not want them to advise me where I would lose my hog farm, which I have mortgaged for the purchase of a new farm, because the hog farm is probably the biggest producer with the most equipment and everything. So, I would want really good advice from them as to what was best to restructure my loan or do whatever to get by, hopefully, until I could do better with it. So far, I am keeping up.

The CHAIRMAN. That leads to the second part of my question. Delinquencies are a problem both ways. The question of forbearance comes into play. I know this is a tough question and it may be an

unfair question. How much forbearance in dealing with delinquent borrowers do you think is appropriate?

Mrs. HARVEY. Well, on forbearance, I would not want to be forborne to the point where I lost everything. And I do not know if I know the answer.

The CHAIRMAN. It is a problem that we have to grapple with here.

Mr. ENSLEY. The Farm Credit System is dedicated to serve the users of agriculture. That means to the best ability that they can. My philosophy is to stay with a borrower as long as possible, as long as there is any chance of repayment. But, again, we are a private lending institution. We do have to pay the bills and protect the System as well.

One thing that has always bothered me, when you get into these distress conditions with an individual, how far do you go? Do you go with him until he has nothing left? Or do you try to work something out and make suggestions that maybe lead to something if he eventually has to leave the farm? When you get to that point, it is a very difficult and hard situation. Understanding it is most difficult. But the Farm Credit System does work directly and very carefully with each one in these situations. It takes a lot of expertise.

Senator HUDDLESTON. That is essentially the reason we have a Farm Credit System--to take into account the peculiar aspects of farming. The fact is that farmers not only have to deal with the normal business problems that other people have to deal with, but have got such things as the weather and markets that they have no control over. Also, the farmer is still virtually the only entrepreneur that has to sell his product for what somebody else wants to pay him; he cannot set his own price.

I think you both have indicated a very strong interest in the Farm Credit System, which I appreciate. I do believe our farmers are in a peculiarly difficult time right now. Many have a cash flow problem. It is awfully hard to know the answer to the very question that you asked, and that is, will another year do it, or will another year put them in a more hopeless situation?

It seems to me that that is what our credit institutions have to do now at the local level—make those assessments. I think all of us know, and I have said it here many times, that credit is a two-edged sword. It has been the salvation of a lot of people, and it has been the ruination of a lot of people. Some of those people who are in trouble now are in trouble because credit was too easy for them. So, I think we have to bear that in mind.

On the other hand, I think everybody on this committee is interested in doing everything we can to ease the current problems, with the hope that they are temporary in nature.

I would hope that you, too, with the experience you have had, will lean over backwards to help see that we really provide help to as many farmers as possible and not unnecessarily push them to the brink of financial ruin and foreclosure. Farmers Home is getting to be an awfully big landowner. There are real problems of what to do with all that land.

The CHAIRMAN. In my State right this minute, there is a hurricane down in southeastern North Carolina that is going to move northward, according to the meteorologists. I hope it moves out to

sea, but that does not look too likely. Norfolk is supposed to have the brunt of it at about midnight or 1 o'clock in the morning. They are forecasting a total of 14 inches of rain. You know what that is going to do.

Senator HUDDLESTON. There are no casualties, the last I heard.

The CHAIRMAN. None. There was a good job of evacuation. I think the Vice President may go down there tomorrow and take Farmers Home people and FEMA, the Federal Emergency Management Agency, and see what they can do in terms of mopping up.

This is one of those cases where the farmer gets hit, through no fault of his own. You can say, well, he ought not to live in southeastern North Carolina, but that, minus the hurricane threat, in 5 or 6 years is going to be a beautiful, productive farm area. It is a tough situation.

I have one more question. All of us have concern about a problem that I am really worried about. What happens when the current crop of farmers moves along? I am sure it is true in your State, Senator Huddleston, and yours, Senator Lugar. Young farmers have a hard time getting into the business. I just wonder what you feel is the proper role of the Farm Credit System in making sure that we have enough farmers to go around. I do not speak of that lightly. I worry about that.

Mrs. HARVEY. Mr. Chairman, that is a very hard question. I do not know if I have an answer to that one. Most of the farmers are not so young anymore, because they go to college and get a really good education and are very smart. They know what they are up against. As far as money is concerned, it seems to me dollars don't go very far. So, I would just have to say they would better start out where they could handle what they are doing and keep abreast of it, because I do not know any other way. It is not the same as it was before.

My two farmers both have sons. They farm for their parents with us. In the meantime, my hog farmer bought his own farm. And I am assuming, if his son is able to handle it, they would turn it over to him, but not without his monetarily being able to do it.

I would hope the Farm Credit System could, if he needs the help, help him.

Mr. ENSLEY. That is one of the problems today for young farmers. They have to leverage highly to get into the business. With the high-interest rates and the lower prices on commodities, it has made it very difficult for them. Of course, everyone cannot be a farmer; we do not have the room for it. But I still think there is opportunity.

In studying the record of Farm Credit, we are financing a lot of young farmers; and they are successful and can make the grade, shall we say. I think this is important. In my own situation, I have a son-in-law that came in with no capital. It has taken me quite a while to get him in so he will take over, but he will eventually take over and be operating the farm, through some practical ways that we set up for him.

I think it takes some help, someplace, with someone interested in the young farmer to really help get him into the business. That is the cold fact. With the amount of money and cash flow, it is very

difficult; but I still think there is opportunity. I think it is going to be more so as we look ahead. I am not pessimistic.

The CHAIRMAN. Senator.

Senator HUDDLESTON. People will continue to eat.

Mr. Chairman, I have written questions for Mrs. Harvey and Mr. Ensley to be responded to for the record.

[Subsequent to the hearing of September 12, 1984, Senator Huddleston submitted written questions to Mrs. Harvey and Mr. Ensley. The questions and answers thereto follow:]

QUESTION. During the last several years, agricultural lenders have taken possession of thousands of acres of farmland due to the financial problems of many farm borrowers. I am concerned about the adverse effects the sale of this farmland might have on farmland values and on the equity our Nation's farmers hold in the land they own. Do you agree that this is a potential problem, and if so, how should Farm Credit System lenders handle the collateral property they hold in inventory?

Mr. ENSLEY. Yes, this is a very real potential problem. I know from experience the problems faced by lenders in handling acquired property. You can't just unload this property for whatever it will bring, because this would only compound the problem of declining land values. Farm Credit System lenders do a good job of dealing with acquired property in an effort to counter the adverse effects of declining land values.

Ms. HARVEY. I agree. Not only is farmer equity at risk, but the overall economy can be affected in a real and serious way. I am encouraged by the System's philosophy of doing all it can to help maintain farmland values.

QUESTION. In some parts of the country, there is a perception that Farm Credit System lenders are implementing a policy of tighter credit. I understand the need for Farm Credit System lenders to balance the credit needs of farmers in a given area with the need to maintain the quality of loan portfolios.

Do you think the Federal Government—through agencies like the Farmers Home Administration—should play a greater role in providing credit assistance to farmers who are unable to obtain credit from Farm Credit System lenders?

Ms. HARVEY. I'm not convinced that more Federal credit assistance is the answer to problems in the farm economy. I don't believe that credit is a long-term solution to lack of income. Within the Farm Credit System, the availability of loan funds is not the problem. The question is how to apply the System's long-standing policy of forbearance. How long does a lender stay with a borrower in trouble? Do you extend credit to the point that the borrower finally loses everything, or do you help him leave with dignity and some of his assets intact? I don't think giving distressed farmers more Federal credit assistance is the answer.

Mr. ENSLEY. If you decided to extend more credit to financially troubled farmers, how much would be enough? One more year, or three? Would you be helping or ultimately hurting? I agree with Ms. Harvey that credit is not a long-term substitute for income.

QUESTION. According to the information filed with the committee relating to your business interests, you list as liabilities promissory notes held by the St. Louis and Louisville Federal Land Banks.

For the record, will you tell the committee how you propose to keep your continuing business relationship with these institutions separate from your actions as a member of the farm credit board?

Ms. HARVEY. As a farmer, I have a loan with the St. Louis Federal Land Bank. My husband has a loan with the Louisville Federal Land Bank. I could do business elsewhere, but I prefer to borrow from the System. Recognizing the potential for conflict, should any matter affecting either of these two banks come before the board for vote and the fact that I am a borrower of a System bank would appear to influence my decision, I will abstain. The FCA's Office of General Counsel has advised me of this procedure and I will follow their advice.

The CHAIRMAN. Senator Lugar.

Senator LUGAR. Thank you, Mr. Chairman. Mr. Ensley, do you owe any money now? I noted on your chart that you made a sale of a farm, the loan is likely to be paid off. Do you come before the committee with that done, or are you still in the process?

Mr. ENSLEY. I will try to brief that one. A year ago, I had a neighbor that came to me and offered me an exorbitant price for a small piece of ground, which would put me out of debt. I thought at my age that makes sense. So, he bought it, settled the first of this month, and you will note I do not owe the Federal land bank today. I did 30 days ago. I paid the PCA off, also. So, today I have to answer that I do not owe any debt. I feel plenty good about it.

Senator LUGAR. I assume that it might feel good and that this may be a day of celebration.

In any event, you come before the committee and to this responsibility without owing money. Your sources of income now are partnerships, pensions, interests, this type of thing?

Mr. ENSLEY. Yes; we have a land-holding company and an operating company both. I am getting out of the operating company, hopefully, in the next 2 or 3 years.

Senator LUGAR. As you look at this Board membership, what do you believe to be the duties of a Board Member? As you have taken a look at what other Board Members do or how this Board operates and how an individual member is expected to perform?

Mr. ENSLEY. This is a Board of 13 members, as you know. The responsibilities are primarily policy, keeping an eye out from the agency's standpoint. They do govern and control to the point of keeping the country operating properly, particularly credit. I think, from your standpoint, you look at the agency rather than so much out in the country, and you are after the agency to see these things are done.

My district is having a very difficult stress in credit. You may be aware of that. We have had four very difficult areas. There is reorganization going on at the present time. It appears the bank will be saved, and the service to the farmers will be maintained but will assume an entirely new structure. Things do change, and you have to keep up with the facts in process right at this time.

Senator LUGAR. So, you have these overall responsibilities for the general policy of credit in the country. But you would also have some oversight with regard to the specific banks and districts?

Mr. ENSLEY. Yes; as a Federal Farm Credit Board Member, we meet monthly with the district board. So, we keep pretty close contact. We also attend various meetings that are held in the country. So, I keep pretty well abreast, as I did when I was a board member in the district.

Senator LUGAR. Some of your meetings will be out in the field? Do you travel for these meetings?

Mr. ENSLEY. I travel for all of them, yes. The Farm Credit Board meets at least once a year in the district. I think this coming year we are going to meet three times because of conditions, keeping a little closer to the grassroots. I think that is good. I support that idea. We did that when I worked with central bank. We met out in the various districts. It was healthy, both from their standpoint and ours. It was a continuing educational process.

Senator LUGAR. Mrs. Harvey, are your business and financial affairs in shape that you are able to fulfill all of these responsibilities, to travel around the country, and to conduct these duties that we have just been discussing?

Mrs. HARVEY. I feel that they are. Besides my own affairs, my husband is meanwhile back at the farm. So, he is taking care of things. He is not a native Indianian, but he is from Crawfordsville.

Senator LUGAR. Yes; I noticed.

Mrs. HARVEY. So, he is, too, into farming. He is a very particular, conscientious, good man and is taking very good care of the farm. Besides, he has even learned to like the horses.

Senator LUGAR. You have had an extensive number of board memberships already, so this will not be a new experience.

Mrs. HARVEY. Yes.

Senator LUGAR. Have you thought through, have you been briefed, or have you visited with Board Members or others of the staff so that you have an idea of the responsibilities that are involved in this?

Mrs. HARVEY. Yes; I have. I was an observer at the Sacramento board meeting. While the board, off the top, meets every other month, I think, when you read between the lines, it is every month that there is something going on to do something with. I am looking forward to it because I really am interested in farming and agriculture. So, I would like to apply more time to that than I have in the past. It is actually going to be very helpful to me.

Senator LUGAR. Thank you very much. It was good to meet both of you.

The CHAIRMAN. Thank you, Senator.

I am going to pay a compliment to two ladies at one time. I have been sitting here, and I said, I feel like I know this lady. Whom does she look like? I decided that you remind me of a very vivacious, very intelligent personable friend of mine in North Carolina. She is married to a pretty prominent fellow named Billy Graham. You are remarkably like her. Ruth is a great lady. She has a good sense of humor. She told me one time that in the early days of her and Billy's marriage that they were in Chicago and Billy was doing work down in the ghetto, working with the people there. It was a pretty rough area. She wanted to go down with him, and he just absolutely forbade it. He said, no, you cannot go; I am not going to let you take the risk because there are some bad people down there. She said, well, the good Lord will look after me, just as he is looking after you. He said, no, he will look after you, but I have the responsibility to look after you, too. And it went back and forth. Finally, in desperation she went into the next room, got down on her knees, and said: Dear Lord, if you will forgive me for marrying Billy Graham, I promise never to do it again.

Thank you very much. Do not live on a diet of fingernails about these nominations being confirmed. I think they will be confirmed in short order.

Not only do I congratulate you. I commend the President on nominating you. I would express my appreciation to both of you and to Mr. Davis for being willing to serve.

With that, if there is no further business to come before the committee, we stand adjourned.

[Whereupon, at 11:05 a.m., the committee adjourned, subject to call of the Chair.]